



Ambassador Jeffrey L. Bleich – Davos Future Summit

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## **Remarks of Ambassador Bleich at the Grand Hyatt, Melbourne**

*(As prepared for delivery –May 24, 2010)*

Well thank you very much Michael for first those very thoughtful and insightful comments, I think you set the table beautifully for today and also for that very generous introduction.

I'm very grateful to be here today to discuss the future of the United States from our perspective. About a year or two ago, I heard a lot of people talking about the decline of the United States and giving some very pessimistic assessments about the U.S. and some of these people are just professional pessimists. The advantage to being a pessimist, as George F. Will said, is that you are always either right or pleasantly surprised. So my view is that pessimists from a couple of years ago would be pleasantly surprised.

Certainly there are things to be concerned about that the United States is facing. When President Obama took office a little over a year ago, he inherited one of the most challenging agendas ever to face a new President and I think that is part of the reason people started to talk about the decline of the United States.

On the domestic side, you know we had an economy that was going through the worst of the Global Financial Crisis and was in a virtual freefall. There was a need for immediate action, not only to restore our economy and place in the world, but also for us to be competitively globally. Going into the future we had two very stubborn problems -- the need to reform our energy policy and a need to reform our health care policy -- that had been amongst the most difficult domestic issues for the United States to confront.

On the foreign policy side, things weren't that much better. The United States faced declining support around the world with probably the lowest popularity that the United States had had in the post WWII era, including Vietnam, and at the same time we were facing a new and different kind of enemy and fighting two wars in Iraq and Afghanistan.

So confronting this agenda the President had to set priorities -- and that was the first challenge the administration had -- deciding what those priorities would be. There were really two points of view about this. One point of view mostly from the financial sector, bankers and people who were of a more conservative orientation, were saying to the president "Look, unless you fix the economy nothing else matters. Unless we get out of the GFC it doesn't matter what your domestic agenda is, doesn't matter what the world



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thinks about us, you can't fight a war without money. It's all about money and so you should do nothing except focus on the GFC."

Now on the other hand, there was a group of people –politicians, supporters, political leaders, special interest groups -- that had not had a Democrat President and Congress since 1994 and in 14 years had developed a very long list of grievances of issues that they hoped to have addressed by the President. They had dozens, if not hundreds of issues, ranging from civil rights to environmental protection.

President Obama rejected, as Michael so well put, the false choice, the false choice mentality that you could either work on one thing or you had to work on a hundred things. He looked to history to help him set priorities, and the first thing he said is that you just can't work on one issue.

Franklin D Roosevelt had the Great Depression but he also had the Second World War. He had to walk and chew gum at the same time. Abraham Lincoln, at the same time he was fighting to save the Union in the civil war, he launched the largest public higher education initiative in American history.

It's just a fact of life in global governance that you can't wait until you've completed addressing one crisis before you move on to the next one. And so for him saving the economy was an important priority, but you have to save it for something. And what America would be depended on being able to address other issues.

At the same time, you can't do everything, and the President was clear that he had to tackle the most pressing issues first. And then only by dealing with the most important issues first would we have a platform to being able to address these other, at times, cultural issues that divide Americans. So let me just go through where we are on those five issues.

First Global Financial Crisis: If we were sitting in this room a year ago, the Dow Jones industrial average was around 6,500. The most optimistic forecast for the U.S was that we hadn't seen the bottom yet, that there would be at least 2-3 years before we would see a positive quarter coming out of the United States, and they were anticipating 2-3 years of serious recession or depression depending on how things were handled. Today the Dow Jones is over 10,000 points, we've had two positive quarters in a row. We're already out of the recession. We're anticipating growth of 3.6% this year, we've had positive gains in employment in the last two quarters and in general there has been a substantial improvement in our economic picture. We still have a couple of challenges.

The way I describe this is that the economy was on the table and had gone into cardiac arrest. We had a virtual lock up of our credit system, of credit in financial markets - and



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the first thing we had to do was save the patient. Which is where I think we are right now – the patient has been saved.

There are two other things we still need to deal with. One is to address the causes that lead to the cardiac arrest in the first place. The President just got a financial reform bill through the senate, it's going to go through reconciliation, and I anticipate that we're going to have a good set of new financial reforms in place, certainly before the Congress recesses in July. I would anticipate frankly within this upcoming month we'll have that.

The other thing that you need to do after surgery for someone who was dying on a table is to deal with the complications of whatever surgical procedure you used. We had to pump a lot of stimulus money into support the economy when the capital market had no money to keep commerce going. That has increased our debt. We had a too high deficit to begin with going into the crisis but in fact we've done very well with addressing debt. At this point by getting the banks to pay back with interest the amount of money that was pumped into them we've reduced our deficit by 3% points of our GDP this year. The President has a plan that will put us at reducing deficit by about 50% by the end of his first term and down to 4% by the year 2014.

So the economic system- we understand what the problems are and we're addressing them and they're moving in the right direction.

On Health Care: We got a health care bill through -- something that people have been trying to do for 40-50 years – and it was passed. It wasn't perfect, but no one expected it would be and it has been a singular achievement in a very divided country on the issue of health care reform.

On energy– the President has got a bill through the house, and it is a bill that is making its way through the Senate. We have democrat and independent support. It is co- sponsored by Senator Kerry and Senator Lieberman and although again, we're not going to get everything we need in order to develop a perfect, clean, sustainable energy system going out 20 years, we're going to make substantial inroads with the bill as it is currently developed. And it will have a key point, which is that you have to put a price on carbon just as we do with any other external cost that needs to be captured internally by an economy.

On the foreign policy side, there is obviously concern about how we got into the war in Iraq in the first place. But I don't think anyone can disagree with the fact that the current strategy for how to get out of Iraq and leave it in a position where it will not be torn apart by internal strife or become a breeding ground for terrorism is working. The current estimates are that troops will start coming out of Iraq next year and no one is currently predicting that the country will fall into chaos when that occurs.



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Similarly that same counterinsurgency strategy is being applied in Afghanistan and again under the McCrystal plan that went into effect, we're starting to see the same effects in which you are neutralizing pockets of dissent, reducing insurgency, building capacity within the country and having basically more civilians than military responsible for the efforts in those countries.

And finally, the issue of where America is in the world. As I said, we probably had the lowest "brand" that we've had in decades, at least half a century. There is a guy who evaluates the values of certain brands, like coca cola, and says well, you know coca cola stays the same. It's the same brand, and people drink it out of the same bottles and yet somehow coke may be worth more, dependent upon how people feel about coca cola – whether they feel positively about it. He does the same thing with countries and every couple of years does an analysis. Based upon his most recent figures, the U.S brand was worth \$9.7 trillion in 2007; today it is worth \$11.8 trillion -- a \$2.1 trillion increase in the U.S brand in the world just in terms of how people feel about it. It appears that work that is being done in the past year and a half has been a good return on investment.

And for those people who are in the room, you've probably sensed some of that yourself. I have certainly sensed it travelling around the world. There is a lot less open concern about the U.S, less hostility and a greater sense of optimism about where the US is. I think all this reflects a couple of things – and they reflect things about the personality of the President himself.

First is a self restraint, self discipline. And the second is capacity for reflection.

In terms of self-discipline, he tends to focus on the priorities and not get too distracted by nattering and polling -- all the things that Michael was describing with the media. With the media we've got a 24-hour news cycle. Their job is to create controversy. No one turns on the TV to see that all is going fine. They want to see controversy, and they want to see their opinions reflected in the news. And if they don't like the President they want to see someone ranting about how terrible the President is. And if they love the President they want to see someone ranting about how good the President is and how terrible his detractors are. So that is our news cycle and there are plenty of people who won't defeat that because we've got two different parties.

It has coarsened our civil dialogue, and it has also meant that the extremes tend to dominate the public discourse. We are always thinking that we are worse than we are because we only see our most extreme elements featured in news programs. This sort of discussion you're going to have here over the next two days is generally not the kind of thing that is featured on TV. So the last election was to some extent a vindication that we're not as divided, not as crazy as we appear, but it is hard not to get confused or distracted by that constant white noise dialogue that is going on in the background.



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What I thought was impressive about the President is that he doesn't allow that to infect his thinking or infect how he approaches his job. He is very good at getting people to stay in their lanes and to do the job that they're required to do – even if they're people who started out in a different position.

You look at the key people in his White House. The Vice President and Secretary of State both ran against him; The Secretary of Defense was appointed by his predecessor, a Republican President, and yet they're all working together beautifully.

During the campaign, there were lots of rhymes about Obama. I remember hearing all of them because I was involved in the campaign. "Barak Obama – I wanna thank your mama for making you" was a song that they played in Chicago. But the rhyme that worked best really was "No Drama Obama" – that is sort of the person he is and there hasn't been any drama in his White House. Normally by this point in a Presidency you would see lots of reshuffling, lots of people fired, people running from the Cabinet, talking about how disillusioned and disappointed they are, tell all books –you have not seen any of that. He's a different type of leader and he attracts a different kind of people. (15.28)

The second thing is reflection – just staying committed to the goal rather than a particular tactical policy choice and being willing to change tactics when you need to get the job done. For instance, I'll give a quick example from the past year. There was a lot of pressure during the reevaluation of the Afghanistan policy –there was some people saying you have to have a massive increase, other people saying you need to get out immediately – and the President said "I'm going to take my time and make this decision carefully, because whenever people have made these decisions hastily we're regretted them."

There was a constant drum beat -- the dithering White House, the indecisive White House – they don't know what they're doing in there, it's chaotic, we can't get an answer, they've been working on it for weeks, as though working on a decision of that magnitude for weeks is a sign of either weakness, or distraction or confusion – in fact it shows a focus that you're going to try and get it right and you're going to look at all the facts that you need to and not get rushed by the media into a decision. He made the decision, and it has turned out to be, among a number of unattractive options the one that seems to be working best, and is following through on it.

Similarly with health care. The original goal was not to use reconciliation as a way to get the health care bill through, but once the politics changed in Massachusetts and he no longer had a filibuster-proof Senate. The President had to change tactics to achieve the same goal, which was health care reform in the United States – and I think these two strengths are not just at the core of the last year and a half, or a recent revival of the



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United States –it is part of what has historically and periodically allowed us to renew, reinvent and improve America.

When you look at the Greatest Generation, the generation that fought in WWII, it was self discipline. They lived on rations, they funded the war effort out of bonds –it wasn't just a big budget giveaway – they actually had to justify to the people the cost of the war and people had to invest in WWII, and they came out of a great depression and defeated fascism during WWII and then when they came out, they demonstrated reflection – they didn't just say "oh ok, we just made a lot of great sacrifices so we're going to occupy Europe and get some of the goodies back." They understood that a Marshall Plan was required in order to restore peace and maintain greater stability for everyone's future economic and social benefit.

Civil rights movement – a similar thing. A determination to overcome entrenched racism. It was challenged over and over again whether America could be as good as its principles. And that was a long and difficult struggle, but in the last election I think we demonstrated that we can ignore the color of the person's skin and look to the content of their character to judge them.

I think the President in the last election reminded people of this tradition, and while it may be one of these things that seems corny and sentimental we really proved that we were better than we thought we were - better than we had been lead to believe we were.

Now that does not mean that we don't recognize or have concerns about the challenges we face. I think we can confront them with the knowledge that predictions about U.S. decline have been made dozens and dozens of times before and they've been wrong. After FDR's election, when the Supreme Court invalidated some of his key initiatives, people thought the U.S. was hopelessly broken and that it could never recover. And it would be in a depression and become a failed state.

After the war, when we were supposedly locked in a suicidal arms race with the Soviet Union, again it was predicted that the U.S would fall apart. After the Vietnam War, people predicted the end of America. The Iran crisis, the hostage crisis people predicted the end of America. Each time this was disproved. And it's not disproved because America has had an unbroken trajectory upward. We've made many, many mistakes but it's been disproved because at the times when our trajectory began to shift our system of democracy always corrected it.

Now with globalization, we're facing a new set of challenges that raise legitimate concerns. Our economy and our security are tied to an energy supply that once seemed





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virtually limitless and now revealed as vulnerable economically, in terms of our security, in terms of the future of the planet. So we need to change to clean, sustainable sources. Our advantage in the world as we started out as a young country was once based upon exploitation of our own resources and labor, now it has to be based on education and innovation which require reinvestment in substantial education sector and sort of re training ourselves to think of the country as a more high tech, more developed economy.

Our enemies were once other nations. Now they are mostly networks of criminals who don't have borders; they don't have rules. The ability of America to face the challenges that they face, and the other challenges are all going to be based upon one overwhelming principle, a principle that has been reiterated many times by the President -- which is we have to create a world in which we have more friends and few enemies.

(22.00)

And so America is deeply, deeply engaged in the effort of reengagement. Since the election of President Obama you have seen this in a number of different ways, both worldwide and across regions and across issues.

In Cairo, the President reached out to the Muslim world to begin a sustained effort, to begin listening to each other, learning from each other, respecting one another and seeking common ground.

This past month, the President pulled together the largest summit of national leaders that has convened in Washington DC since the end of WWII, since 1954, on nuclear and nonproliferation, and that resulted in a number of key events recently including the Ukraine, Turkey and Brazil working to convince Iran to outsource its enrichment program, sending low enriched uranium to Turkey in which it would be enriched. And with other countries, joining in an unprecedented fashion with the United States, China and Russia to enhance sanctions against Iran.

Our diplomats around the globe -- if this sounds like a slightly different speech from a US Ambassador, it's not all written out -- we're sending different Ambassadors out into the world -- ones who are encouraged not simply to talk about U.S priorities and demand that others support them, but to also listen and in fact to listen first.

I've got young children, many of the other Ambassadors if you look around --they have the same thing -- Japan, France, South Africa, Canada, China, our Ambassadors in all those countries have young kids. The President thinks this is a good thing because if you've got young kids you go to soccer games, you go to parent teacher conferences, you



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know -you have to find where you buy soccer cleats for them and you go out in to the stores and you have a much different experience in the country than if you are simply isolated. And the President's concern is that he wants to have people around the world who are engaged, really living in the world, and in the present.

In the Asia Pacific, the President has been particularly focused, he's had numerous trips out here. He's going to be in Australia next month and he will be Indonesia right before that. The President has been very clear about this -- the center of gravity for the United States is Asia. We are a Pacific country. That is not just rhetoric; it's reality. The U.S started as a small group of colonies on the east coast and Atlantic seaboard, but over the course of its history it has moved through manifest destiny westward to the Pacific. We clawed our way through the Panama Canal to get to the Pacific, we moved our demographics center to the west. Our most popular state is California on the West Coast, Our largest most mineral rich state is Alaska on the west coast. We have a state in the Pacific – Hawaii – we have a President who spent a good portion of his life in the Pacific.

This is where we have been moving and this is where the world has been moving. You've got 40% of the world's population, 54 percent of global GDP right around this time zone. And this is a high priority for the President. We need to make to make clear that our engagement here is not just a current interest of the President, but an enduring commitment of the United States. We're working with our partners in Asia to design a regional architecture that going to help shape the future of the region for the next century.

(26.13)

So I had suggested to Michael at the outset that it may be more interesting for people to ask me so questions, so I will just finish with this and then I will open it up for questions.

I think the next century has three big challenges for the US – first is we're going to have to live cleaner and more sustainably. We can't be hostage to our energy limitations; this creates enormous upside potential if we do it well. If we fail to do it, it will be the critical error on which future generations judge this generation.

In order for the US to be more prosperous we're not going to be able to compete with countries that are willing to exploit their resources and exploit labor. One thing it is going to be important is for us to counsel everyone to learn the lessons that have been learned by all developed nations -- that exploitation of workers, exploitation of resources, denial of human rights -- never a long term strategy for success. And so we need to promote human rights to create a level fair playing field, and respect for all human being so that we can live together. And we also need, in countries such as ours, which are more advanced, to refocus our efforts on an educated and innovative work force.





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And finally, we have to be more just and more peaceful. We're spending hundreds of billions of dollars in the world today to support efforts to make other countries better – for no other reason than by having them be more stable and stronger, not breeding grounds for terrorists, not centers for instability and violence -- we're all better off. It is an investment that we make today for all of our future and so our commitment is to have more friends and fewer enemies. If the entire world was like Australia - for the US this would be a wonderful relationship.

We have no better relationship in the world than we have with Australia and our goal is to take the kind of understanding that has been developed by our two nations, and hopefully model it and develop it around the world.

These are big challenges, but again Michael's an optimist, I'm an optimist and those who study history tend to be optimists -- the arc of history bends toward justice – then slowly, at times it seems to waiver. It only bends because people pull on it and bend it in that direction, but the history of human society is that it bends toward justice.

And so I'm optimistic. Those of you who are pessimists, I hope you're pleasantly surprised and I'm looking forward to opening it up for questions. Thank you.